

## Remuneration system for the Executive Board of Vossloh Aktiengesellschaft

### 1. Principles of the remuneration system

The remuneration system described in the following contains the principles for the determination of the remuneration for the members of the Executive Board of Vossloh AG.

The system for remunerating Executive Board members makes a significant contribution to the promotion and implementation of the corporate strategy of Vossloh AG, namely the strengthening of the core business and the continued expansion of both the conventional and digital service business, with the goal of achieving a lasting increase in the value of the company. The performance criteria on which the Executive Board remuneration is based are expressions of this strategy and are intended in particular to offer incentives for achieving sustainable, long-term corporate growth. This aligns the interests of the Executive Board with those of the shareholders and of the company's further stakeholders, such as customers and employees in particular.

The objective of this remuneration system is to ensure that the members of the Executive Board are remunerated appropriately according to their areas of activity and responsibility and their performance, in accordance with the statutory requirements of – and taking into account the recommendations of – the German Corporate Governance Code in the version dated December 16, 2019 ('DCGK') while allowing them to participate in the successful development of Vossloh AG. Criteria for the appropriateness of the Executive Board remuneration are: the responsibilities of the individual Executive Board members, their personal performance, the economic situation, the success and the future prospects of the company, as well as the consistency of the remuneration with standard levels of remuneration, while taking into account similar companies and the remuneration structure within the company, including its development over time.

The Supervisory Board has designed the remuneration system for the Executive Board according to the following principles in particular:

## Principles of Executive Board remuneration

The objective of this remuneration system is to ensure that the members of the Executive Board are remunerated appropriately according to their areas of activity and responsibility and their performance, in accordance with the statutory requirements.

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The remuneration system makes a significant contribution to the corporate success of Vossloh AG through its assignment of performance criteria whose achievement is dependent on the economic and corporate development of Vossloh AG, thereby creating incentives for achieving sustainable, long-term corporate growth.

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The remuneration system focuses closely on variable remuneration elements that are rigorously aligned with the company's success and with the development of Vossloh shares, in order to ensure that the interests of the Executive Board are appropriately attuned to those of the shareholders and of the company's further stakeholders.

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The majority of the variable remuneration, i.e. the multi-year bonus, rests on an assessment basis that is oriented towards the long term, thereby promoting the sustainable development of the company. This is coupled with a single-year bonus that is based on annual performance targets, thereby offering incentives for annual performance as well. There is an upper limit for the variable remuneration.

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In order to assess whether the remuneration structure is appropriate and in line with usual levels compared to other enterprises, it is compared horizontally with comparable companies, as well as vertically, with the remuneration levels for Executive Board members being compared to one another, as well as to compensation for upper management, and to remuneration for the relevant total workforce within the company.

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With properly aligned incentives, the remuneration system contributes to ensuring the shared pursuit of the company's long-term strategy by the Executive Board and by upper management.

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## **2. Procedures for determining, implementing and reviewing the remuneration system; initial application of the system; conflicts of interest**

Pursuant to the requirements set out in Sections 87(1) and 87a(1) of the German Stock Corporation Act (*AktG*), the Supervisory Board adopts a system for the remuneration of the members of the Executive Board of Vossloh AG.

The Supervisory Board determines the remuneration of Executive Board members in accordance with the remuneration system presented to the General Meeting for approval. The remuneration system is implemented within the framework of the employment contracts concluded with the members of the Executive Board, as well as through annual target agreements for the variable remuneration elements defined within the remuneration system.

The Executive Board remuneration system is reviewed by the Supervisory Board on a regular basis. In the event that any substantive changes are made to the remuneration system, this system shall be presented to the General Meeting once again for its approval. Even if no significant changes are

made, the remuneration system will be presented to the General Meeting for approval at least once every four years.

Should the remuneration system presented to the General Meeting not receive its approval, a reviewed remuneration system will be presented for approval no later than to the next ordinary General Meeting.

The Executive Board remuneration system being presented shall apply from January 1, 2021 for the Executive Board of Vossloh AG and is to be applied for new appointments and for contract extensions. Remuneration claims, including those arising through the relevant regulations for variable remuneration applying to date for periods before January 1, 2021, shall continue to be based on the respective contractual regulations on which they are based.

As with all decisions made by the Supervisory Board, general statutory regulations shall also apply while taking the recommendations of the currently applicable version of the German Corporate Governance Code into account with regard to the determination, implementation and review of the remuneration system when it comes to dealing with conflicts of interest. Should there be any conflicts of interest, the Supervisory Board members shall not participate in the resolutions on the relevant agenda items in the Supervisory Board or in the respective committees. The Supervisory Board shall inform the General Meeting in its report about any conflicts of interest arising over the course of a financial year and about how these were dealt with.

If necessary, the Supervisory Board may call upon an external consultant; the Supervisory Board must ensure that the expert is independent of both the Executive Board and the enterprise.

### **3. Determination of the specific target total remuneration by the Supervisory Board; appropriateness of Executive Board remuneration**

In accordance with the requirements set out in the German Stock Corporation Act (AktG), and taking into account the recommendations of the DCGK, when determining the specific target total remuneration for each Executive Board member, the Supervisory Board must ensure that this is appropriate to each Executive Board member's own tasks and performance, as well as to the enterprise's overall situation and performance, that it is oriented towards the sustainable and long-term development of Vossloh AG, and that it does not exceed the usual level of remuneration without specific reasons.

When determining whether the level of remuneration is appropriate, comparisons will be made with both the comparable peer group of Vossloh AG (horizontal, external comparison) and the company's internal remuneration structure (vertical, internal comparison).

#### **3.1. Horizontal comparison**

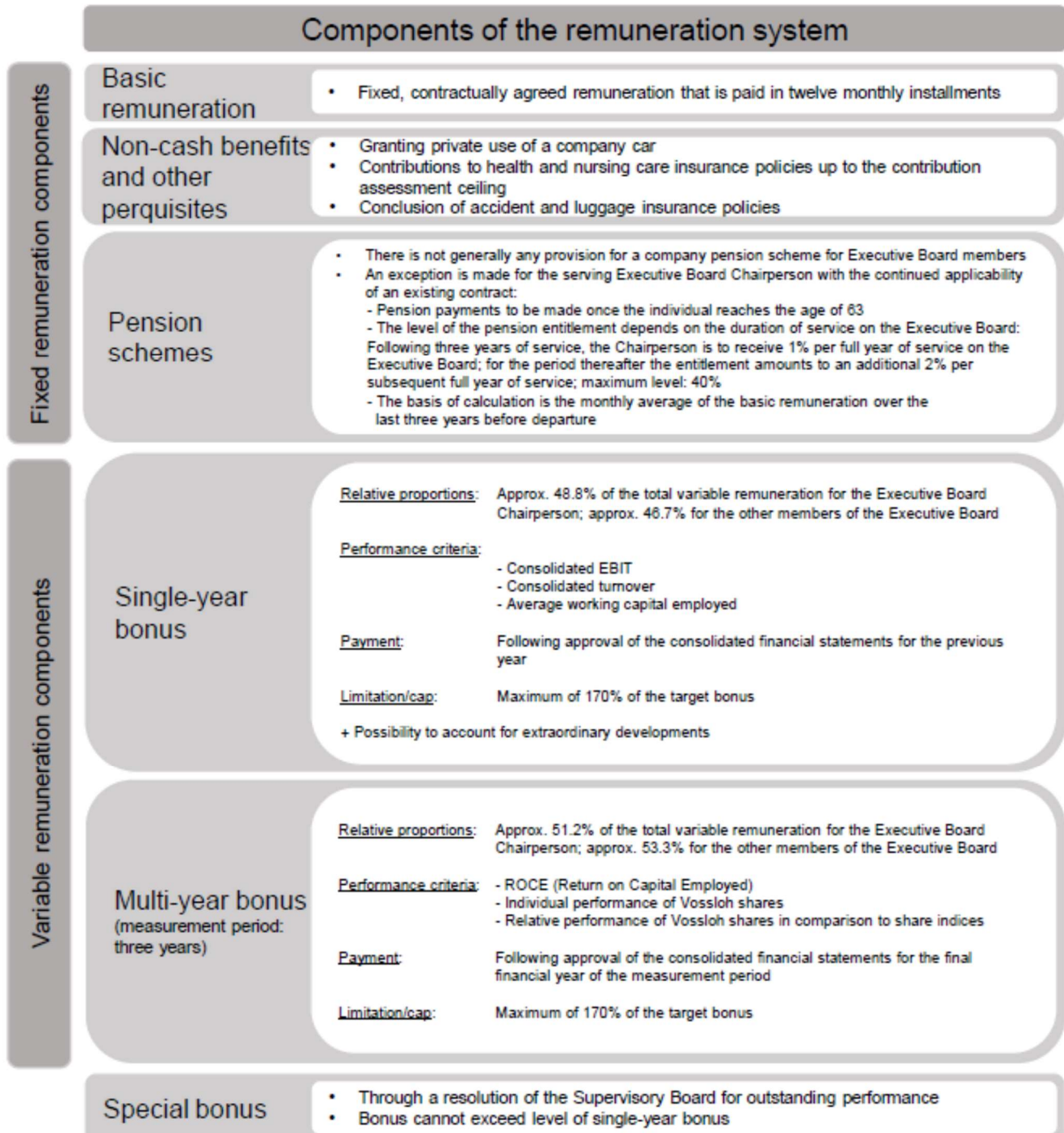
For the horizontal – external – comparison, a group of companies deemed suitable on account of their market position (i.e. the peer group of Vossloh AG) is used as the basis for assessing the appropriateness and prevalence of the level and structure of the target total remuneration. The peer group is defined on the basis of the size of the company, the industry and the geographic location. In order to take the industry affiliation into account, particular emphasis was placed on selecting companies in the manufacturing industry from the MDAX and SDAX indices for inclusion in the comparison group.

#### **3.2. Vertical comparison**

In addition to the horizontal – external – comparison, a vertical – internal – comparison is also carried out for the Executive Board remuneration. Here, the remuneration levels for Executive Board members are compared to one another, as well as to compensation for the upper management, and to remuneration for the relevant total workforce within the company. In doing so, the Supervisory Board

takes into account not only the current relationship between remuneration levels for various hierarchical levels, but also and in particular the development of remuneration of the aforementioned groups over time.

### 3.3. The remuneration system – graphic



Other components of the remuneration system	
Further remuneration provisions	<b>Maximum total remuneration</b> <ul style="list-style-type: none"> <li>The maximum total remuneration for the Executive Board Chairperson is €2,923,000 (gross) per annum and is €1,812,800 (gross) per annum for each other member of the Executive Board</li> </ul>
	<b>Malus/clawback</b> <ul style="list-style-type: none"> <li>Partial or total reduction or repayment of variable remuneration</li> <li>Possible in the event of significant breaches of duty and for payments made on the basis of an objectively incorrect consolidated financial statement</li> <li>Clawback deadline of two years after payment has been made</li> <li>There are no malus/clawback provisions for the serving Executive Board Chairperson</li> </ul>
	<b>Benefits in the event of early termination</b> <ul style="list-style-type: none"> <li>In the event that an appointment is terminated ahead of schedule, the variable remuneration that is due for the period until the end of the contract will be paid in accordance with the originally agreed rules for the employment contract</li> <li>The Executive Board member receives a compensation payment for the remaining term of the employment contract at the time of their departure; however this shall not exceed 24 months</li> <li>No compensation payment is made if the Executive Board member resigns their position unilaterally and without good cause, or where the termination is mutually agreed at the request of the Executive Board member, or if the company has terminated the employment contract for good cause or revoked the appointment of the Executive Board member for this reason</li> <li>The compensation payment is determined based on the (projected) total remuneration of the departed Executive Board member</li> </ul>

### 3.4. The components of the remuneration system; share of the target total remuneration

#### 3.4.1. Components of the remuneration system

The remuneration system comprises fixed components that are not performance-based, and variable components that are performance-based; the sum of these components represents the total remuneration for each Executive Board member.

The components that are not performance-based are made up of the fixed remuneration, non-cash benefits and other perquisites. The fixed remuneration is remuneration tied to the financial year that is paid in twelve equal monthly installments. In particular, the non-cash benefits and other perquisites include private use of a company car and contributions to pension and insurance policies.

The variable, performance-based components of the remuneration are tied to the achievement of performance targets that are defined in advance, and comprise a short-term variable remuneration component, the single-year bonus, and a long-term variable remuneration component, the multi-year bonus.

Should the Executive Board member achieve a degree of target achievement of 100% for both their single-year bonus and their multi-year bonus, the sum of these two variable remuneration components taken together with the basic remuneration and the perquisites, plus – for the serving Executive Board Chairman the annual pension contributions, results in the target total remuneration.

#### 3.4.2. Relative proportions of remuneration components of the target total remuneration

The individual remuneration components have different weightings in the target total remuneration.

In the event that there is a degree of target achievement of 100 percent for both the fixed remuneration components and the variable components, the variable components will account for approx. 58.8% of the target total remuneration for the Executive Board Chairman (approx. 47.0% when accounting for expenditures for benefits and perquisites), and for approx. 61.9% of the target total remuneration

for the further Executive Board members. As a result, the non-performance-based remuneration accounts for approx. 41.2% (approx. 53.0% when accounting for expenditures for benefits and perquisites) of the target total remuneration for the Executive Board Chairman and for approx. 38.1% of the target total remuneration for the further Executive Board members.

Within the variable remuneration components, the single-year bonus represents the smaller portion of the total variable remuneration. In the event that there is a degree of target achievement of 100 percent, this accounts for approx. 48.8% of the total variable remuneration for the Executive Board Chairman, and for approx. 46.7% of the total variable remuneration for the further members of the Executive Board. The multi-year bonus accounts for the majority of the variable remuneration, and in the event that there is a degree of target achievement of 100 percent in each case, this will account for approx. 51.2% of the total variable remuneration for the Executive Board Chairman and for approx. 53.3% of the total variable remuneration for the further members of the Executive Board.

This greater weighting of the multi-year bonus creates a particular incentive for the achievement of long-term targets and ensures that efforts are oriented towards the sustainable development of Vossloh AG. At the same time, the achievement of the annual operational targets is particularly incentivized by the single-year bonus.

### **3.5. Maximum remuneration**

In accordance with Section 87a(1) Sentence 2 No. 1 of the AktG, the Supervisory Board places an upper limit on the sum of all remuneration elements for the financial year; this comprises the fixed remuneration, perquisites, annual expenditure for benefits and perquisites pursuant to IAS 19, short-term variable remuneration components and long-term variable remuneration components ('Maximum remuneration'). The maximum remuneration for a serving Executive Board Chairman is €2,923,000 (gross) per annum and is €1,812,800 (gross) per annum for each further member of the Executive Board. In this regard, payments of multi-year bonuses are allocated to the year in which the multi-year bonuses on which they are based were granted, i.e. the first year of the measurement period. Perquisites are assessed at their monetary value as defined for tax purposes. Any severance payments granted in the event of the premature end of a term on the Executive Board and any other benefits that were not granted as compensation for the services of the Executive Board member are not included in the calculation of the maximum compensation and are not limited by this maximum compensation.

## **4. The individual components of the remuneration system**

### **4.1. Basic remuneration**

#### **4.1.1. Fixed remuneration**

Each member of the Executive Board receives a fixed remuneration that is based on the entire year and which is paid in twelve equal monthly installments. With regard to the level of the fixed remuneration, a distinction is made between the Chairman and the further members of the Executive Board. The level of the fixed remuneration reflects the role on the Executive Board, the member's experience and area of responsibility, and market conditions, and also includes all activities for the subsidiaries and shareholdings of Vossloh AG.

#### **4.1.2. Perquisites**

Each Executive Board member receives non-cash benefits and perquisites. In particular, the non-cash benefits and other perquisites include the provision of a company car for both company and private use, and contributions to health, accident and luggage insurance policies.

The perquisites are generally available in the same manner to all members of the Executive Board; however, they may vary in individual cases depending on personal situations and whether they are

claimed or used, and in particular in the amount thereof. The Supervisory Board may grant different or additional prerequisites that are in line with usual levels compared to the market.

#### **4.1.3. Company pension scheme**

In principle, the remuneration system does not provide for a company pension scheme for members of the Executive Board.

An exception is made for the serving Executive Board Chairman, whose existing contract contains a pension obligation. Accordingly, the remuneration system provides for a pension obligation for the serving Executive Board Chairman that calls for pension payments once the individual reaches the age of 63. The annual pension entitlement depends on the duration of service on the Executive Board: following three years of service, the Chairman is to receive 1% per full year of service on the Executive Board; for the period thereafter the entitlement amounts to an additional 2% per subsequent full year of service on the Executive Board. The maximum level of the pension is 40% of the remuneration on which the pension is based. The basis of calculation is the monthly average of the basic remuneration over the last three years before departure. Should the Executive Board Chairman leave the company before reaching the age of 63, the pension that is to be paid as of the time they reach the age of 63 shall correspond to the entitlement to future benefits that had been earned as of the time of their departure from the company at the pension rate that had been achieved at the time of their departure.

Along with this, in the event of the death of the serving Executive Board Chairman, provision has been made for a widow's pension for his wife. The level of this pension shall be 60% of the pension entitlement of the Executive Board Chairman at the time of his death / of the most recent pension payment made to the Executive Board Chairman.

#### **4.2. Variable remuneration**

The variable, performance-based components of the remuneration are tied to the achievement of performance targets that are defined in advance, and comprise a short-term variable remuneration component, the single-year bonus, and a long-term variable remuneration component, the multi-year bonus.

Before the beginning of each financial year, the Supervisory Board and the Executive Board shall, on the basis of the then-current planning, determine the specific target values for the performance targets for the single-year bonus ('short-term performance targets') for the following financial year and the multi-year bonus ('long-term performance targets') for the following measurement period.

For each performance target, the determination includes target values for a 0-percent, 100-percent and 170-percent target achievement. With the ranges resulting therefrom (i.e. between the lower threshold value and the target value, and between the target value and the upper threshold value), the degree of target achievement will in each case be determined linearly according to the values achieved.

There is in each case an upper limit on the total of the variable remuneration components. The payment of both the single-year bonus and of the multiple-year bonus is in each case limited to a maximum of 170% of the amount that applies for a target achievement of 100 percent. It is possible that the target achievement could also exceed this level for some short-term performance targets; in this case, for those performance targets with a higher degree of target achievement, the linear rate of increase between the 100-percent and 170-percent target achievement value is to be continued.

##### **4.2.1. Single-year bonus**

The single-year bonus is dependent on the achievement of short-term performance targets. The short-term performance targets are based on objectively measurable key figures that are important to the

business success of the Vossloh Group, in particular figures including consolidated EBIT, consolidated turnover, and the average working capital employed by the Vossloh Group.

The specific weighting and the target values for the short-term performance targets are determined in each case before the beginning of the year of remuneration. The Supervisory Board determines the target achievement for short-term performance targets on the basis of the audited consolidated financial statements for Vossloh AG for the respective year of remuneration.

In the event that there is a degree of target achievement of 100 percent, the so-called 'target bonus' is granted; this represents part of the target total remuneration. In the event of extraordinary, unforeseeable developments, the Supervisory Board can, at its discretion, reduce the target bonus for the 100-percent target achievement by up to 20 percent, or increase this by up to 30 percent. Subsequent changes to the target values are fundamentally excluded.

#### **4.2.2. Multi-year bonus**

The multi-year bonus comprises a basic amount that either increases or decreases in accordance with the achievement of the target values defined for the achievement of long-term performance targets for the respective year of remuneration and the two following financial years; the measurement period is three years.

The long-term performance targets are generally made up of three objectively measurable criteria that are weighted approximately equally. These may include ROCE (Return on Capital Employed), the individual performance of Vossloh shares in the respective measurement period, and the relative performance of Vossloh shares in comparison to the weighted average levels of the DAX, MDAX and SDAX indices in the respective measurement period.

#### **4.3. Special gratuities**

Furthermore, the Supervisory Board may also resolve to grant special gratuities to individual Executive Board members, the level of which is capped for each individual, if the Executive Board member has demonstrated outstanding performance during the respective period being evaluated. The level of these special gratuities is limited to the target amount of the single-year bonus for the respective member of the Executive Board.

#### **4.4. Malus/clawback**

The remuneration system provides for malus/clawback provisions. Under these provisions, the Supervisory Board has the ability, at their discretion in justified cases, to withhold or demand the repayment of variable remuneration components in whole or in part.

This possibility exists if an Executive Board member has demonstrably breached their obligations in such a way that it would justify termination without notice for good cause, or if they have demonstrably either intentionally or with gross negligence breached their duty of care within the meaning of Section 93 of the AktG (a 'compliance clawback').

In the event that variable remuneration components are determined or paid on the basis of an objectively incorrect consolidated financial statement, the Supervisory Board can adapt the determination on the basis of the corrected consolidated individual statement and demand the repayment of any remuneration components that have already been paid (a 'performance clawback').

A required repayment or reduction is possible in the aforementioned cases until two years have passed following the payment of the variable remuneration component. The reduction or repayment fundamentally takes place in the year in which the breach of duty took place, or for which an objectively incorrect consolidated financial statement has been determined.



Any liability for damages on the part of the Executive Board member vis-à-vis the company, as well as the right of the company to issue notice of termination for good cause, remain unaffected by the malus and clawback provisions.

## **5. Termination of service on the Executive Board**

### **5.1. Contractual periods, termination options**

Executive Board employment contracts are in each case concluded for the period of the appointment and generally terminate as of the time at which the respective appointment as a member of the Executive Board comes to an end.

Each term of appointment cannot exceed five years and is generally limited to three years for a first-time appointment. In accordance with the German Stock Corporation Act, there are no provisions for an ordinary right to terminate in the employment contracts; the reciprocal right to terminate the employment contract without notice for good cause remains unaffected.

The Executive Board member's employment contract is terminated earlier than planned with the expiry of the termination period applicable in accordance with Section 622(2) of the German Civil Code (*BGB*) if the appointment of the Executive Board member is revoked pursuant to Section 84(3) of the AktG and the company is entitled to terminate the employment contract for good cause (Section 626 of the *BGB*). It shall also be terminated earlier than planned if an Executive Board member should unilaterally resign their position before the end of their contract or if the Executive Board appointment is ended by mutual agreement.

### **5.2. Early termination**

In the event that an appointment is terminated ahead of schedule, the variable remuneration that is due for the period until the end of the contract will be paid in accordance with the originally agreed rules for the employment contract. The Executive Board member generally receives a compensation payment for the remaining term of the employment contract at the time of their departure, however this shall not exceed 24 months.

A compensation payment will not be made if the Executive Board member resigns their position unilaterally and without good cause, in cases where the termination is mutually agreed at the request of the Executive Board member, or if the company has terminated the employment contract for good cause or revoked the appointment of the Executive Board member for this reason.

The compensation payment is determined based on the (projected) total remuneration of the departed Executive Board member. In the event that the appointment is terminated within the first six months of the financial year, the (projected) total remuneration for the previous financial year shall serve as the basis; otherwise, the projected total remuneration for the current financial year will be decisive. The Supervisory Board shall determine the relevant total remuneration at its discretion and on the basis of a corresponding forecast while taking into account the degrees of target achievement that have already been reached.

In the event of the death of the serving Executive Board Chairman, the fixed remuneration will continue to be paid to the surviving dependents for the three months subsequent to the month in which he died.

## **6. Sideline activities of the members of the Executive Board**

The fixed remuneration generally covers all activities performed by Executive Board members for the company and for its affiliated companies. In particular, this includes Supervisory Board mandates within the Group. Insofar as there are any remuneration claims vis-à-vis other affiliated companies, these shall be taken into account for the fixed remuneration. In the event of remuneration for the

assumption of Supervisory Board memberships at non-Group entities, the Supervisory Board shall decide whether and to what extent the remuneration from such memberships shall be taken into account.

## **7. Temporary deviations**

The Supervisory Board can, in extraordinary cases, temporarily deviate from the remuneration system should this be in the interests of the long-term well-being of the company. Overall unfavorable market developments expressly do not represent an extraordinary situation in this regard. Far-reaching and extraordinary changes to the economic situation, for example as the result of a severe economic crisis, may represent extraordinary situations within the meaning of this provision. In addition, a realignment of the remuneration system in the event of a significantly changed corporate strategy can be viewed as part of efforts to ensure that suitable incentives are in place. In the event that there is a deviation from the existing remuneration system, the remuneration must continue to be geared towards the sustainable and long-term development of the company and it cannot place a too great burden on the company's financial capacity. Any deviation from the remuneration system is only possible with a corresponding resolution of the Supervisory Board recognizing the existence of extraordinary circumstances and the necessity of a deviation.

The ability to temporarily deviate from the Executive Board remuneration system is limited to the following components: Performance criteria for short-term and long-term variable remuneration, ranges for possible target achievement for the individual elements of the variable remuneration, and temporary disbursements for extraordinary ancillary performance. In the event that efforts to restore the incentive effect of Executive Board remuneration by adapting the existing remuneration components should prove insufficient, the Supervisory Board may, in the event of extraordinary developments and other things being equal, temporarily grant additional remuneration components.

# VOSSLOH AGM 2021

## RESULTS OF THE VOTES ON AGENDA ITEMS (6) – (9)

	Valid votes submitted (number of shares)	Share of capital stock this represents	Yes votes	Share of yes votes	No votes
Item (6) <b>Addition of a new paragraph to Article 18 (paragraph 5) and two new paragraphs to Article 19 (paragraphs 4 and 5) of the Articles of Incorporation – Broadcast of Annual General Meeting, virtual participation and absentee voting</b>	12,047,889	68.59%	11,982,799	99.46%	65,090
Item (7) <b>Amendment of Article 13 paragraph 2 of the Articles of Incorporation – Modalities of convocation of Supervisory Board Meetings</b>	12,976,011	73.88%	12,969,053	99.95%	6,958
Item (8) <b>Remuneration system for members of the Executive Board</b>	12,980,116	73.90%	11,029,408	84.97%	1,950,708
Item (9) <b>Remuneration system for members of the Supervisory Board</b>	12,527,814	71.33%	12,511,022	99.87%	16,792